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SUBJECT: PALESTINIAN OFFICIALS TELL CODEL VOINOVICH PA IS READY TO MANAGE GAZA CROSSINGS

¶1. (SBU) Summary: Senator George Voinovich (R-OH), accompanied by Representatives Phil Gingrey (R-OH), Rob Bishop (R-UT), Steve Pearce (R-NM), and Michael Turner (R-OH), met separately on January 6 with Palestinian Authority Prime Minister Salam Fayyad and Foreign Minister Riad Maliki. Maliki told the CODEL that the current Palestinian Authority (PA) government, guided by principles of good governance, represents a break with the past. Both officials said the PA is ready to manage Gaza crossing points. Fayyad asserted that GoI sanctions on Gaza benefit Hamas, enabling it to control and tax tunnel traffic between Gaza and Egypt. Fayyad told the CODEL that budget support is the PA's top assistance priority. End summary.

Maliki: Gaza Must be Recovered

¶2. (SBU) Maliki told CODEL Voinovich that PM Fayyad's government has "clearly split" with prior Palestinian governments by concentrating on good governance, anti-corruption, and transparency. Developing a market economy driven by the private sector and developing civil society are top government priorities, said Maliki.

¶3. (SBU) Maliki said the West Bank and Gaza are "integral parts" of a future Palestinian state, and Gaza "has to be recovered," but not by force. Instead, he said the PA needs to make the West Bank a positive example for Gazans to follow, thereby putting pressure on Hamas. Maliki also said the PA is ready to manage the Palestinian side of the Gaza crossing points, giving the PA a foothold in the territory and undercutting Hamas controlled smuggling traffic through the tunnels between Gaza and Egypt.

PM Fayyad: Gaza Sanctions Reinforce Hamas Control

¶4. (SBU) PA Fayyad told the CODEL that the lack of a coherent border crossing system for Gaza empowers Hamas. For example, he continued, Hamas scored significant political points by arranging for Hajj pilgrims to exit Gaza through the Rafah crossing point to Egypt. Fayyad said the PA, coordinating with Israel, can manage the crossings in a straightforward, transparent way. Sanctions, he continued, "don't make sense" because Hamas, which controls and taxes the tunnel trade, profits from them. Fayyad said that if Israeli agrees to PA management of the crossings, Hamas would have "two choices, both bad" -- reject the proposal and lose credibility with the suffering Gazan population, or accept it and give the PA an entree into Gaza.

Budget Support Top Assistance Priority

15. (SBU) Asked by Senator Voinovich about PA assistance priorities, Fayyad responded that budget support comes first, followed by support for projects outlined in the Palestinian Reform and Development Plan (PRDP). Implementation of the PRDP would bring about a "major transformation of our economy," said Fayyad. He said GoI access and movement restrictions in the West Bank will hinder project implementation, but he foresaw no easing until PA security improves. Fayyad said the PA is "determined to do what we need to do" on the security front, adding that he is "tired of the skepticism" about PA capabilities. Better security performance will lead to better economic performance, said Fayyad, concluding that the West Bank's 4 billion USD economy could double if obstacles to access and movement are removed.

16. (U) CODEL Voinovich has cleared this cable.

WALLES